



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #271

"Celebrate Children" License Plate Revenue and Segregated Revenue Reestimate (Child Abuse and Neglect Prevention Board)

[LFB 2001-03 Budget Summary: Page 159, #3 (part) and Page 160, #6]

CURRENT LAW

On January 1, 1999, the Department of Transportation (DOT) began issuing a special license plate with the words "Celebrate Children" on it for persons interested in expressing support for the prevention of child abuse and neglect. A "Celebrate Children" license plate costs the buyer \$80 in the first year and \$65 each year thereafter, of which \$60 in the first year and \$45 in each year following is retained by DOT to cover registration and processing fees and the balance is deposited to the children's trust fund.

The Board is required to solicit and accept contributions, grants, gifts and bequests for the children's trust fund. Further, with the exception of fees collected from the sale of the "Celebrate Children" license plate, the Board is authorized to expend all monies in the trust fund in accordance with the wishes of the donor to award grants, fund the actual and necessary operating costs of the Board and to fund statewide projects to prevent child abuse and neglect. All revenue that the Board receives from license plate sales is deposited to the children's trust fund, but the Board is currently only authorized to expend the interest earned on this revenue for its activities. The revenue the Board receives from license plates sales accumulates indefinitely in the children's trust fund.

In addition to revenue received from license plate sales, the Board's grants, statewide projects and state operations are funded from program revenue (PR) available from the temporary assistance for needy families (TANF) funds transferred to the Board from the Department of Workforce Development and fees from the sale of duplicate birth certificates. The Board receives \$7 from the \$12 fee. Federal funding (FED) is available under Title II of the

Child Abuse Prevention and Treatment Act. In addition, some revenue is available from private donations to the children's trust fund.

GOVERNOR

Authorize the Board to expend 50% of the revenue the Board receives from the sale of "Celebrate Children" license plates, and all interest earned on this revenue, to support: (a) grants to prevent child abuse and neglect; (b) the actual and necessary operation costs of the Board; and (c) statewide projects to prevent child abuse and neglect.

Provide \$28,000 SEG in 2001-02 and \$29,000 SEG in 2002-03 from license plate sales revenue to support the Board's activities.

DISCUSSION POINTS

1. The establishment of the special license plate was initially recommended by the 1997 Legislative Council Special Committee on Prevention of Child Abuse and Neglect and later enacted in 1997 Wisconsin Act 27 (the 1997-99 biennial budget act). This provision was designed to allow a significant balance to develop in the trust fund so that the Board could eventually fund its grants and projects with the interest earnings derived from the fund's balance.

Use of License Plate Revenue

2. Total contributions to the trust fund have never been a significant revenue source for the Board. The Board annually solicits contributions from a mailing list of potential contributors. Contributions, however, are usually made in small amounts (\$25 to \$50 each). The Board receives few corporate donations, and these contributions are rarely more than \$1,000. In 2000, the Board received approximately \$1,000 in private donations.

3. Expenditures from the trust fund for statewide projects have recently met or exceeded the total amount of revenue received by the trust fund. Consequently, the balance in the fund has decreased in recent years. The administration has supported the use of the balance to fund current child abuse and neglect prevention activities. At the beginning of 1997-98, the balance in the trust fund was \$99,300. The balance in the trust fund at the end of 1999-00 was \$16,800.

4. Other states have been successful at building a balance in a trust fund and using the interest earnings of the fund to award grants and provide services to prevent child abuse and neglect. According to the 1999 annual report of the National Alliance of Children's Trust and Prevention Funds, 20 states and the District of Columbia are able to use interest earnings from their trust funds to provide services and grants. The amount of interest available varies significantly. The smallest amount reported totals \$1,000 by the D.C. children's trust fund, located in Washington, D.C. The largest amount is the Michigan's children's trust fund, with \$504,100 in interest earnings.

5. The Committee could maintain current law, which requires that the license plate revenue accumulate indefinitely in the trust fund. Once the balance is large enough, the interest earnings would provide a self-generating and independent source of revenue for grants awarded by the Board. Under this option, \$4,900 in 2001-02 and \$8,100 in 2002-03 would be budgeted for grants. This is \$23,100 in 2001-02 and \$20,900 in 2002-03 less than the amount budgeted in the bill. This estimate, like others included in this paper, assumes that interest earnings would be budgeted for expenditure by the Board. This alternative would be consistent with the Committee's decision in the 1999-01 budget deliberations.

6. The trust fund would benefit from having a steadily increasing source of income for its grants. PR from the issuance of duplicate birth certificates is a fairly stable source of income. However, federal revenue is subject to funding decisions made by Congress and changes in Wisconsin's share of the total allocation. The level of federal funds Wisconsin has received has decreased from \$701,700 in federal fiscal year 1996 to \$442,500 in federal fiscal year 2000. TANF funds are also subject to funding decisions made by Congress and the state legislature. Having a stable source of income from interest earnings from the trust fund could help protect the Board's grant recipients from future state and federal appropriation reductions.

7. Alternatively, the Committee could authorize the Board to expend 100% of revenues available from the sale of the license plate for the following reasons.

- Building a trust fund balance may be a disadvantage in promotion of the sale of the license plate. Vehicle owners may be more likely to purchase the plate if they knew their contribution would be used to increase support for, or expand, current programs, rather than if their contribution were used to increase the fund's balance to meet future program needs.

- Building a balance sufficient to generate significant interest earnings could take a number of years. It took Texas approximately 10 years to build a balance of \$20 million by placing half of all revenue in trust. Based on current Wisconsin sales projections, in 10 years the balance in Wisconsin's trust would be an estimated \$711,700 if all license plate sales revenue were deposited in the trust. Assuming a 5% interest rate on that balance, approximately \$34,000 would be available for grants in 2011.

- While this approach has been pursued by other states, in most of those states, it has not generated a significant amount of revenue. According to the 1999 annual report of the National Alliance on Children's Trust and Prevention Funds, the amount of earnings available to the 20 states with interest earnings averages approximately \$88,900 in 1999.

Under this alternative, approximately \$64,700 would be available for grants annually.

8. Alternatively, if the Committee supports both the goal of building the trust fund's balance and using the revenue from the sale of the plate to support current Board activities, it could adopt the Governor's recommendation to authorize the Board to expend half of all revenue from the sale of the plate and require that the other half accumulate indefinitely in the trust fund. Under this

alternative, an estimated \$34,000 in 2001-02 and \$34,800 in 2002-03 would be available to support the Board's activities, based on current estimates of license plate sales and interest earnings on the fund's balance.

Estimated Revenue

9. As of January 14, 2001, 3,500 "Celebrate Children" plates had been sold. In calendar year 2000, the Board received an average of \$5,400 per month from license plate sales. Using these figures, and assuming that sales have stabilized, it is estimated that the amount of revenue available from the sale of the plate would be \$64,700 SEG annually. Under the Governor's recommendation, 50% of these revenues, \$32,400 SEG annually, would be available to support the Board's expenses. An additional, \$1,600 SEG in 2001-02 and \$2,400 in 2002-03 would be available based on estimated interest earnings on the fund's balance. Together, this represents a \$6,000 increase in 2001-02 and a \$5,800 increase in 2002-03 from the amounts budgeted in the Governor's bill.

10. The federal funds that the Board receives to support its activities are available under Title II of the Child Abuse Prevention and Treatment Act (CAPTA). Of the CAPTA funds that are allocated to states, 70% of the available funds are allotted proportionately among the states based on the number of children under age 18 residing in each state, with a minimum allocation of \$175,000. The remaining 30% of the funds are allotted proportionately among the states based on the amount leveraged by the state from private, state or other non-federal sources and directed through the state lead agency in the preceding federal fiscal year. Revenues from the sale of license plates that are budgeted, but are not expendable, cannot be counted as available to match federal funds. By making available more state matching funds, the Board would be able to apply to receive additional federal funds. Therefore, using even a portion of the revenue from the sale of the license plates could increase federal funds to support the Board's expenses. However, due to the federal allocation process, it is not possible to provide an estimate of the additional federal funding that Wisconsin could receive.

ALTERNATIVES

1. Approve the Governor's recommendation to authorize the Board to expend 50% of the revenue received from the sale of the "Celebrate Children" license plate that benefits the children's trust fund. In addition, increase funding in the bill by \$6,000 SEG in 2001-02 and \$5,800 in 2002-03 to reflect reestimates of revenue that will be available from the sale of the "Celebrate Children" license plates.

Alternative 1	SEG
2001-03 FUNDING (Change to Bill)	\$11,800

2. Authorize the Board to expend all moneys received from the sale of the "Celebrate Children" license plate that benefits the children's trust plate. In addition, increase funding in the

bill by \$36,700 in 2001-02 and \$35,700 in 2002-03 to reflect reestimates of funding what would be available for the Board to expend.

Alternative 2	SEG
2001-03 FUNDING (Change to Bill)	\$72,400

3. Maintain current law, which requires that all of the revenue generated from the sale of the "Celebrate Children" license plate that benefits the children's trust fund to accumulate indefinitely and authorizes the Board to expend all interest income generated by the fund's balance. Reduce funding in the bill by \$23,100 in 2001-02 and \$20,900 in 2002-03.

Alternative 3	SEG
2001-03 FUNDING (Change to Bill)	- \$44,000

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